堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025

December 2, 2024

Event Summary

[Company Name]	Sakai Chemical Industry Co., Ltd.
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[Venue Size]	
[Participants]	52
[Number of Speakers]	2 Toshiyuki Yagura President, Representative Director Shinji Ogama Executive Officer

Presentation

Moderator: The time has come for the Sakai Chemical Industry Co., Ltd.’s interim financial results briefing for the fiscal year ending March 31, 2025, and the cosmetic materials business strategy briefing. Thank you very much for taking time out of your busy schedule to attend our information session today.

Today's event is a hybrid of a real event at the venue and a web event. Today's schedule will begin with an explanation of the interim financial results for the fiscal year ending March 31, 2025, followed by a question-and-answer period on the financial results, which will last until 4:00 PM. After that, we will explain our business strategy for cosmetic materials, followed by a question-and-answer session, which is scheduled to end around 5:00 PM. We apologize for the limited time, but there will be no breaks.

I will now begin my explanation of the interim financial results. Now, President, please.

Yagura: Hello, everyone. I am Yagura, President of Sakai Chemical. Thank you very much for coming today and for your participation via the web. I will now present the interim financial results for the period ending March 31, 2025.

Eight months have already passed since the start of our medium-term management plan, Transformation BEYOND 2030, in April of this year. Today is also a progress report on the six months that have passed, or one-sixth of the total. In conclusion, we are on track to achieve our numerical targets. I, Yagura, will give you an overall impression at the beginning of the presentation, and then Mr. Ogama, who is in charge of IR, will explain the details.

Summary of Interim Financial Results for the Year Ending March 31, 2025

● YoY performance — Net sales: +3.5% / operating profit: +186.4%

Net sales rose only slightly, incurring significant performance impact from sales volume declines caused by efforts targeting improved operational efficiency. Operating profit rose substantially thanks to sweeping selling price revisions and sales volume recovery generated through the electronic materials sub-segment (a growth business).

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Recovery in the semiconductor market • Improvement in domestic zinc market conditions	• Persistent economic stagnation in China • Sluggish demand for building materials in Japan • Slow movement in automotive market	• Selling price revisions • Improvement in operating ratio • Expenses down YoY due to impairment losses recognized for FY03/24	• One-time valuation loss

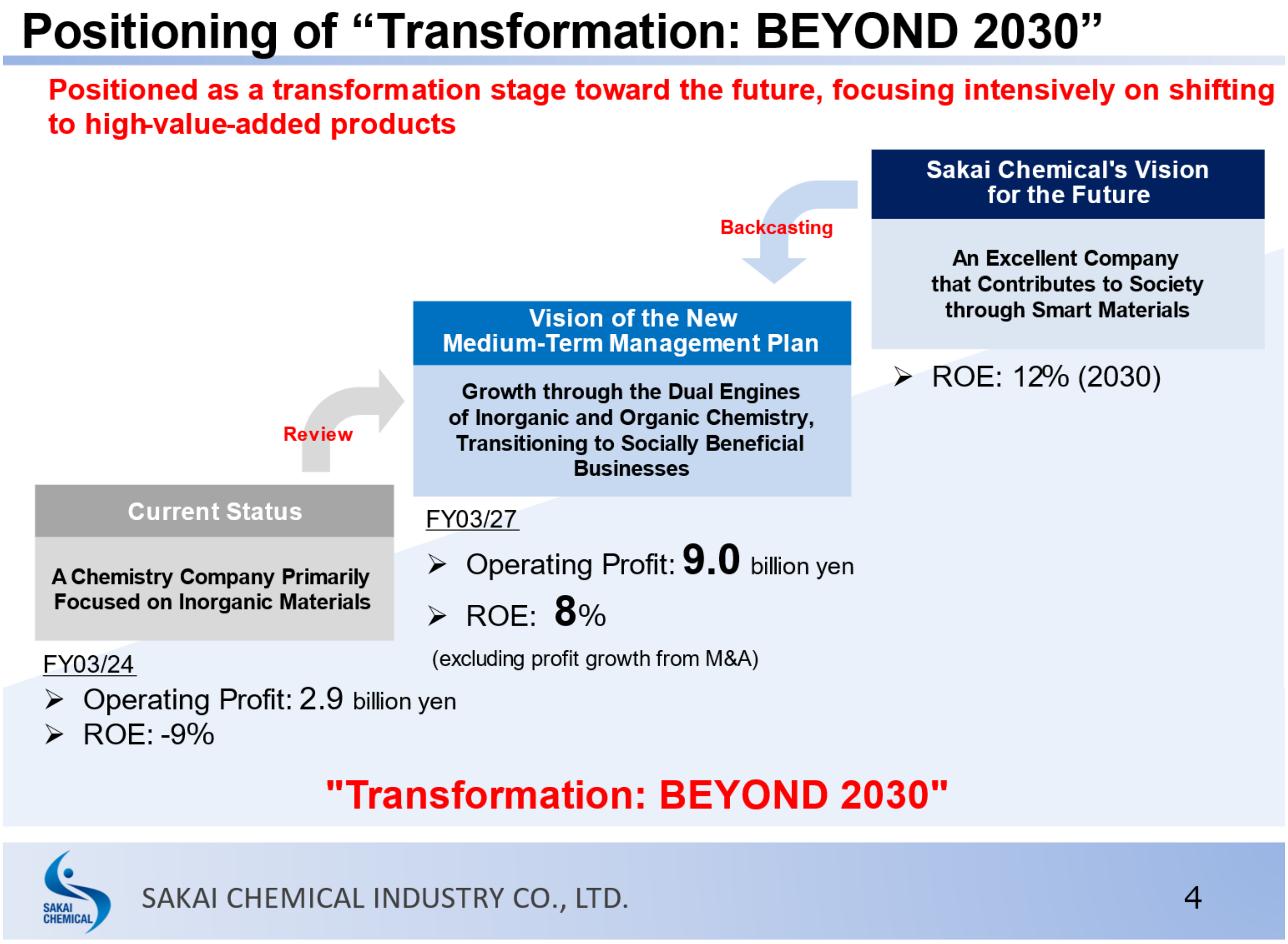
• Versus forecast: Net sales-0.3% / operating profit +9.4%

Our business environment tracked with our initial expectations, and net sales were generally commensurate with our projections. Operating profit exceeded our forecast due to expanded implementation and acceptance of selling price revisions and improvement in our operating ratio.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Improvement in domestic zinc market conditions	• Persistent economic stagnation in China • Slow movement in automotive market	• Improvement in operating ratio	• One-time valuation loss

A summary of the financial results for H1 of the fiscal year ending March 31, 2025 is summarized on this slide. Compared to the same month last year, overall sales increased only slightly to a positive 3.5%, largely due to a decrease in sales volume to improve efficiency study projects. Operating income, on the other hand, improved significantly to a positive 186.4%, thanks to price revisions toward reasonable prices throughout the entire process and a recovery in sales volume in the growth business of electronic materials.

Next is the comparison to the plan. Net sales were generally in line with the plan, as the business environment remained as we had expected at the beginning of the fiscal year. Operating income exceeded the plan, partly due to the penetration of price revisions and improved capacity utilization. Overall progress is on track.



I will continue with an explanation of the progress of the medium-term management plan, Transformation, BEYOND 2030. Let me begin with a brief review of the plan in the first three slides.

As a transformation stage for the future, this medium-term management plan concentrates on a shift to high value-added products, i.e., a fundamental reconfiguration of the business portfolio. Our numerical targets for the fiscal year ending March 31, 2027, which is a milestone in this process, are operating income of JPY9 billion and ROE of 8%.

Business Strategy for Growth Businesses

Position organic chemicals as a new growth driver alongside electronic and cosmetic materials, and pursue profit growth **through targeted growth investments in existing businesses and M&A**

Electronic Materials

- Dielectrics: **Capture high-end and mid-range markets with new products** and revise selling prices for unprofitable products
- Dielectric Materials: Optimize the product portfolio (Aggressively expand high -profit products and adjust prices for unprofitable items)

<Focus Area> Electronics

Cosmetic Materials

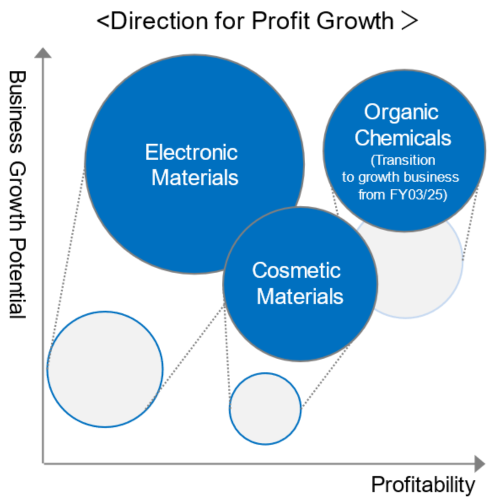
- Sunscreen Agents: **Expand sales to overseas cosmetics manufacturers** through surface treatment technology and formulation proposals (Performance evaluation completed, production system in place)
- Makeup Products: Advance investments targeting earnings contribution in the next medium -term management plan period

<Focus Area> Life Sciences & Healthcare

Organic Chemicals

- Eyeglass Lens Materials: **Allocate resources to maintain/expand top market share** in high-growth, high-refractive products
- Pharmaceutical Intermediates: Expand sales of existing contracted products with increased capacity, advance CDMO

<Focus Area> Electronics / Life Sciences & Healthcare



Circle Size: Profit
Dashed Line: Previous medium-term management plan
Solid Line: New medium-term management plan (FY03/27)

Next is the business strategy for growth businesses. In addition to electronic materials and cosmetic materials, we have newly positioned organic chemicals as a new growth driver and are working toward profit growth by investing in growth of existing businesses and utilizing M&A. In the third year of the medium-term plan, we plan to earn operating income of JPY5.7 billion from these three growth businesses.

Business Strategy for Businesses Under Efficiency Review

Focus on products and businesses capable of consistently contributing to profits, shifting them to stable businesses

Titanium dioxide and zinc

- Eliminate losses through price adjustments, etc. (FY03/25)
- **Discontinue pigment-grade titanium dioxide business** with low capital investment efficiency and high environmental impact in production **(FY03/26)** and **implement structural reforms** to address fixed cost ratio increases

→ Transition certain products, like zinc, **to stable businesses**

Plastic additives

- Domestic: Withdraw lead-based stabilizers in contract manufacturing (FY03/26)
- Overseas: Shift to lead-free stabilizers (increase production capacity) and expand in ASEAN region

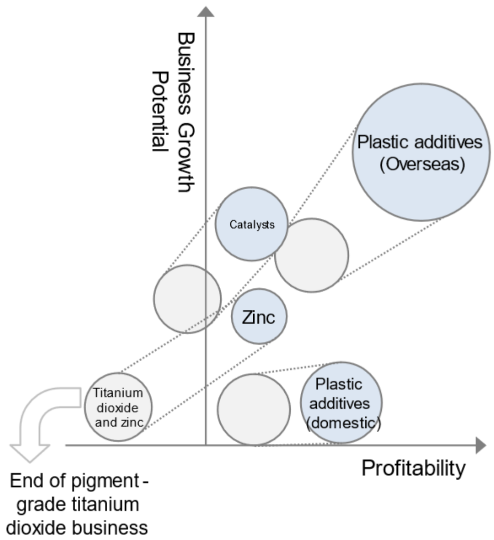
→ **Transition to stable businesses** through overseas expansion

Catalysts

- Achieve efficiency by consolidating production sites (FY03/25) and reduce costs by improving yield
- Improve profitability by adjusting prices of low-margin products

→ **Convert into a stable business** through reorganization of production bases and selling price revisions

<Direction for Profit Improvement and Growth>



Circle Size: Profit
Dashed Line: Previous medium-term management plan
Solid Line: New medium-term management plan (FY03/27)

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The third slide, the business strategy for the efficiency study project. We are shifting to stable businesses by focusing on businesses and products that can contribute to earnings on an ongoing basis.

We are proceeding with the termination of the pigment-grade titanium dioxide business in the fiscal year ending March 31, 2026, and the withdrawal of domestic lead-based stabilizers in the fiscal year ending March 31, 2026. We are in the process of shifting to a stable catalyst business by consolidating production bases to improve efficiency.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” — 1

■ Progress versus plan (operating profit)

(Millions of yen)

	FY03/25 Plan	1H FY03/25	Progress rate (%)
Growth businesses	**2,218**	**805**	**36.3**
Electronic materials	1,023	614	60.0
Cosmetic materials	63	(106)	—
Organic chemicals	1,132	297	26.2
Businesses under efficiency review	**1,586**	**981**	**61.9**
Titanium dioxide and zinc products	763	374	49.0
Plastic additives	1,014	628	61.9
Catalysts	(191)	(21)	—

Growth businesses	We initially projected growth businesses would begin generating profit in earnest from 2H, overall. However, progress has generally been low due in part to temporary negative performance impact.
Businesses under efficiency review	Initial performance was favorable thanks to a downturn in fixed costs (300 million yen in depreciation) achieved through impairment adjustments performed in FY03/24, selling price revisions, and sales mix optimization.

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Now, let us look at the progress after six months of the medium-term plan. The slide shows the comparison of the plan for the growth projects and the efficiency study projects. The growth business as a whole was planned to be profitable from H2 onward from the beginning of the fiscal year, but due to temporary negative factors, the progress rate for the full year was low. Among them, electronic materials performed well.

The efficiency study business got off to a good start as a whole, thanks to fixed cost reductions from impairment charges implemented in the previous fiscal year, a JPY300 million decrease in depreciation expenses, price revisions, and a review of the sales mix.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” — 2

■ Cash conversion cycle target: **180 days or less** (27.3)

(Days)

	24.3	24.9	Change
Trade receivables turnover period	130	116	-14
Inventory turnover period	126	117	-9
Accounts payable turnover period	40	39	-1
CCC	**216**	**194**	**-22**

Formula: working capital ÷ sales × 12 months (6 months) × 30 days

Despite growth in the per-unit prices of both raw materials and products, our cash conversion cycle improved thanks to faster inventory turnover and efforts we undertook to reduce the quantity of our inventory assets.

→ This improvement in our cash conversion cycle generated 4.0 billion yen in operating cash flow (versus our cumulative three-year medium-term management plan target of 7.0 billion yen)

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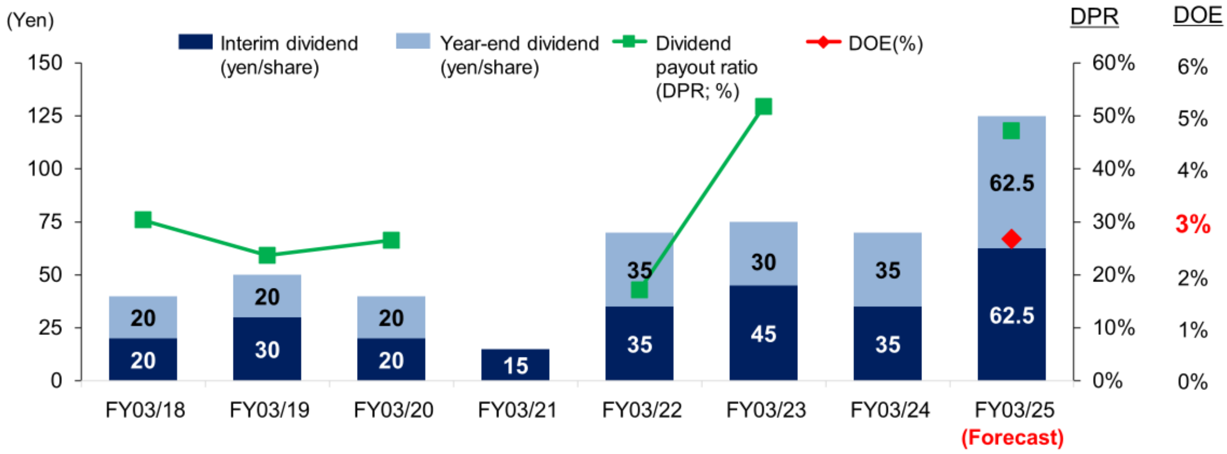
Continued, CCC. Let's look at the progress of cache conversion cycle improvement. Our target is 180 days or less by the fiscal year ending March 31, 2027. The current period is 194 days, an improvement of 22 days from 216 days at the end of the previous fiscal year.

Although unit prices of products and raw materials soared, efforts to reduce inventory volume, together with a shorter inventory turnover period, led to an improvement in CCC. This generated operating cash flow of JPY4 billion. We will continue our efforts to improve CCC by reducing accounts receivable and inventories.

Shareholder Returns



FY03/25

We project **125 yen per share in annual dividends** (**interim dividend: 62.5 yen per share** [confirmed], **year-end dividend: 62.5 yen per share** [projected])

[Basic policy for distribution of retained earnings for FY03/25–27]

Revising the target from a payout ratio of 30% or more to a **dividend on equity (DOE) target of 3%,** with dividends distributed twice annually

DOE = dividend on equity

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And finally, shareholder returns. We are aware that shareholder returns are very important, as announced in our medium-term management plan. The basic policy for dividends from retained earnings for the fiscal years ending March 31, 2025 through March 31, 2027 has been revised from a dividend payout ratio of 30% or more to a dividend on equity (DOE) of 3%.

For the fiscal year ending March 31, 2025, the Company has determined JPY62.5 per share for the interim period. The Company plans to pay a year-end dividend of JPY62.5 per share, for a total annual dividend of JPY125 per share.

That is all the explanation from me. After this, Ogama, IR Manager, will give a brief explanation.

Ogama: I am Ogama, in charge of IR. I will now explain the details of the interim financial results for the fiscal year ending March 31, 2025.

Summary of Interim Results for FY03/25 (Versus 1H FY03/24 and Plan)

(Millions of yen)

	1H FY03/24 results		1H FY03/25 results		YoY change		1H FY03/25 plan		Versus plan	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	40,471	100.0	41,874	100.0	1,403	3.5	42,000	100.0	-126	-0.3
Operating profit	917	2.3	2,626	6.3	1,709	186.4	2,400	5.7	226	9.4
Ordinary profit	885	2.2	2,633	6.3	1,748	197.5	2,300	5.4	333	14.5
Profit attributable to owners of parent	(2,033)	—	1,746	4.2	3,779	—	1,600	3.8	146	9.1
EPS	(125.53 yen)		107.71 yen		—		98.70 yen		—	

	Versus 1H FY03/24	Versus plan
Net sales	Despite sales volume decline, which was particularly pronounced in businesses considered for efficiency improvement, net sales rose 3.5% thanks primarily to a significant recovery in the sales volume of electronic materials, expansion in the implementation and acceptance of selling price revisions, and improvement in domestic zinc market conditions.	Net sales were just 0.3% lower than our target thanks to unexpectedly strong electronic materials sales driven by recovery in the semiconductor market, which offset a downturn in sales generated through businesses considered for efficiency improvement via titanium dioxide and other products.
Operating profit	Operating profit rose 186.4% thanks to recovery in results achieved through electronic materials and improvement in the performance of businesses considered for efficiency improvement, which was driven by selling price revisions and favorable impact from impairment adjustments.	Operating profit rose 9.4% thanks in part to favorable performance from electronic materials and strong expansion in sales of non-lead stabilizers generated through overseas locations specializing in plastic additives. Stable and consistent manufacturing operations provided an additional operating profit boost.

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Sales for the interim period were JPY41,874 million, operating income was JPY2,626 million, ordinary income was JPY2,633 million, and net income attributable to owners of the parent was JPY1,746 million.

Sales, compared to the same period last year, increased by 3.5% due to a significant recovery in sales volume of electronic materials, penetration of price revisions, and an increase in the domestic zinc market, despite a decrease in sales volume mainly in the efficiency improvement study business. Operating income increased 186.4% due to a recovery in electronic materials and price revisions, as well as an improvement in profits from the efficiency improvement study business, which was combined with the effect of impairment.

Compared to the plan, sales in electronic materials were stronger than expected due to the recovery of the semiconductor market. This offset the decrease in sales of titanium dioxide and other businesses under consideration for efficiency improvement, resulting in a 0.3% decrease in sales compared to the plan.

In terms of sales, in addition to the strong performance in electronic materials, operating income was boosted by the expansion of sales of non-lead stabilizers in plastic additives at overseas bases. In terms of production, the operation remained strong, resulting in a 9.4% increase compared to the plan.

Net Sales / Operating Profit by Segment (Versus 1H FY03/24 and Plan)

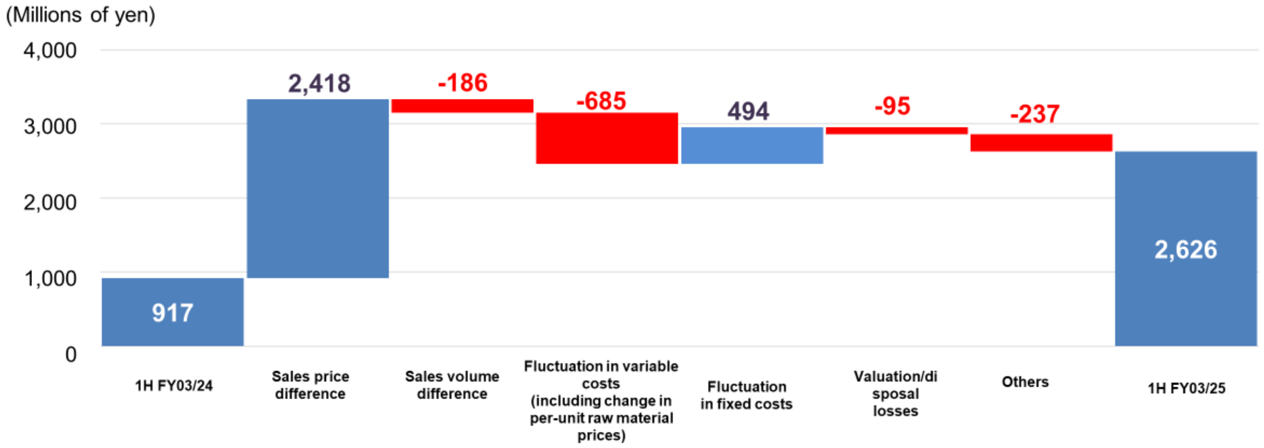
(Millions of yen)

		1H FY03/24		1H FY03/25		YoY change		FY03/25 plan		Progress rate
		Amount	%	Amount	%	Amount	%	Amount	%	%
Chemicals	Net sales	36,313	—	37,609	—	1,296	3.6	78,825	—	47.7
	Operating profit	1,896	5.2	3,783	10.1	1,887	99.5	7,736		48.9
Medical	Net sales	4,158	—	4,264	—	106	2.5	8,175	—	52.2
	Operating profit	144	3.5	65	1.5	-79	-54.9	100		52.2
Adjustments	HQ expenses	(1,125)	—	(1,223)	—	-98	—	(2,436)	—	50.2
Total	Net sales	40,471	—	41,874	—	1,403	3.5	87,000	—	48.1
	Operating profit	917	2.3	2,626	6.3	1,709	186.4	5,400		48.6

Note: Head office expenses are displayed as negative values. Accordingly, a negative figure under “YoY change” indicates growth in head office expenses.

This is sales/operating income by segment. The chemical business reported net sales of JPY37,609 million and operating income of JPY3,783 million. The medical business reported net sales of JPY4,264 million and operating income of JPY65 million. Details will be explained in the sub-segment results.

Factors Driving (YoY) Change in Operating Profit



Positive factors	Negative factors
Variation in selling price per unit • Selling price revisions we began implementing in FY03/24 have raised the floor for selling price per unit. • Our sales mix improved thanks primarily to the discontinuation of unprofitable products and the introduction of new profitable offerings. **Variation in fixed costs** • Impairment adjustments implemented in Q3 FY03/24 had an impact of approximately 300 million yen.	**Fluctuation in variable costs** • Performance incurred impact from high raw material / fuel prices. **One-off valuation/disposal losses** • Cosmetics raw materials: We incurred an inventory valuation loss as a result of facility improvement work. • Medical business: We recorded a valuation loss on defective products in Q1

This chart shows YoY changes in operating income. Positive factors included the difference in sales unit prices and fixed costs.

Negative factors included the impact of high raw material and fuel prices, as well as one-time write-downs and disposal losses.

Balance Sheet Comparison

(Millions of yen)

Consolidated B/S	March 31, 2024	September 30, 2024	Change
Cash and deposits	16,590	14,761	-1,829
Notes and accounts receivable - trade	29,570	27,083	-2,487
Inventories	28,747	27,133	-1,614
Other	1,133	1,298	165
Total current assets	**76,042**	**70,276**	**-5,766**
Property, plant and equipment	40,463	42,852	2,389
Other	8,938	8,117	-821
Total property, plant and equipment	**49,402**	**50,969**	**1,567**
Total assets	**125,445**	**121,246**	**-4,199**
Notes and accounts payable - trade	9,066	9,026	-40
Short-term borrowings	15,108	9,014	-6,094
Other	7,582	7,714	132
Total current liabilities	**31,757**	**25,755**	**-6,002**
Long-term borrowings	8,930	9,213	283
Convertible-bond-type bonds with share acquisition rights	3,000	3,000	-
Other	6,290	6,136	-154
Total non-current liabilities	**18,220**	**18,350**	**130**
Total liabilities	**49,978**	**44,106**	**-5,872**
Shareholders' equity	71,183	72,424	1,241
Other	4,282	4,715	433
Total net assets	**75,466**	**77,140**	**1,674**
Total liabilities and net assets	**125,445**	**121,246**	**-4,199**

[Key factors driving change]

・**Notes and Accounts Receivable -2,487 million yen (-8.4%)**
(1) Due to a bank holiday occurring on March 31, 2024, payments for some accounts receivable were deposited on the following business day.
(2) We observed a temporary but substantial 1H decline in sales generated through active pharmaceutical ingredients / intermediates.
(3) Our average collection period for notes and accounts receivable shortened.

・**Inventories -1,614 million yen (-5.6%)**
Despite growth in per-unit prices for both raw materials and products, inventories declined thanks to efforts undertaken to reduce inventory quantity.

・**Property, Plant and Equipment +2,389 million yen (+5.9%)**
(1) Growth investment
(Expansion into the CDMO sector for organic chemicals and active pharmaceutical ingredients / intermediates)
(2) We performed a restructuring of businesses considered for efficiency improvement (catalyst business).

・**Repayment of short-term borrowings: -6,094 million yen (-40.3%)**

	End-FY03/24	End-1H FY03/25
Equity ratio	59.3%	62.7%
CCC	216 days	194 days

▲ Improvement of 22 days

(CCC: Cash Conversion Cycle)

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The following is the balance sheet. The main reason for the change was a decrease of JPY2,487 million in notes and accounts receivable trade. There are three main factors. The first is that March 31, 2024 was a bank holiday, so the payment of some accounts receivable was delayed to the next business day, April 1. Secondly, there was a temporary significant decrease in sales of bulk pharmaceutical intermediates in H1. And the third is shortening the collection site, which we were working on to improve CCC. These three factors were the main reasons for the decrease in trade receivables.

Inventories decreased by JPY1,614 million. Although unit prices of both products and raw materials increased, they were reduced due to efforts to reduce volume. Tangible fixed assets increased by JPY2,389 million. These are mainly investments in growth businesses and restructuring-related investments to improve efficiency. Short-term borrowings decreased by JPY6,094 million.

As for the cash conversion cycle, as we explained earlier in the mid-term plan, CCC has improved by 22 days.

Cash Flow Statement Comparison

(Millions of yen)

Consolidated C/F	1H FY03/24	1H FY03/25	Change
Beginning Cash and Cash Equivalents Balance	**12,188**	**16,475**	**4,287**
Profit (loss) before income taxes	773	2,416	1,643
Depreciation	2,255	1,828	-427
Decrease (increase) in trade receivables	(918)	2,492	3,410
Decrease (increase) in inventories	60	1,771	1,711
Increase (decrease) in trade payables	1,183	(158)	-1,341
Impairment losses			-
Income taxes refund (paid)	(215)	(292)	-77
Consumption taxes paid/refund	558	(649)	-1,207
Other	(510)	11	521
Cash flows from operating activities	**3,187**	**7,420**	**4,233**
Purchase of property, plant and equipment	(1,646)	(3,693)	-2,047
Sale of investment securities	60	786	726
Other	(40)	(44)	-4
Cash flows from investing activities	**(1,625)**	**(2,952)**	**-1,327**
FCF (Operating CF + Investment CF)	**1,562**	**4,468**	**2,906**
Increase (decrease) in short-term and long-term borrowings	1,702	(5,835)	-7,537
Proceeds from issuance of bonds with share acquisition rights	3,000	-	-3,000
Dividends paid	(519)	(590)	-71
Purchase of shares of subsidiaries	(2,631)	(150)	2,481
Other	34	(0)	-34
Total Financial C/F	**1,587**	**(6,578)**	**-8,165**
Total Translation Adjustments on Cash and Cash Equivalents	**186**	**268**	**82**
Total Change in Cash and Cash Equivalents	**3,336**	**(1,841)**	**-5,177**
Ending Cash and Cash Equivalents Balance	15,524	14,633	-891

・**Operating CF**

(1) Decrease in trade receivables
March 31, 2024 (end-FY03/24) was a bank holiday, so payments for some receivables were deposited on the following business day. We observed a temporary decrease in sales of active pharmaceutical ingredients / intermediates.

(2) Increase in net income
Attributable to profit growth

(3) Decrease in inventories
Contraction in inventory quantity

・**Investing CF**

The primary source of impact on investing cash flows was our acquisition of property, plant, and equipment, which we undertook with the aim of entering the CDMO sector for active pharmaceutical ingredients / intermediates (a future focus sector).

→ **Financing CF: +2,906 million yen**

・**Financing CF**

Repayment of short-term borrowings

Cash flow. First, operating cash flow was JPY7.42 billion, due to a decrease in trade receivables, an increase in net income, and a decrease in inventories.

Net cash used in investing activities amounted to JPY2,952 million, mainly due to the acquisition of property, plant and equipment for the purpose of entering the CDMO business of bulk pharmaceutical intermediates for organic chemicals, which will be our future focus.

As a result, free cash flow totaled JPY4,468 million, an increase of JPY2,906 million from the end of the previous fiscal year.

In terms of financial cash flow, cash and cash equivalents totaled JPY14,633 million in H1, mainly due to the repayment of short-term borrowings.

Earnings Forecast for FY03/25 (Full-Year Forecast Remains Unchanged)

(Millions of yen)

	FY03/24		FY03/25			
	Full-year results		1H results		Full-year forecast	
	Amount	Margin	Amount	Margin	Amount	YoY
Net sales	82,105	—	41,874	—	87,000	6.0%
Operating profit	2,942	3.6%	2,626	6.3%	5,400	83.5%
Ordinary profit	3,066	3.7%	2,633	6.3%	5,200	69.6%
Profit attributable to owners of parent	(7,092)	-8.6%	1,746	4.2%	4,300	—

Results for 1H exceeded expectations, but we have maintained our existing full-year projections due to uncertainty over our future business environment.

External factors (assumptions)		Internal factors (assumptions)	
Positives	Negatives	Positives	Negatives
• Favorable conditions in AI-related sectors within the semiconductor market favorable • Improvement in domestic zinc market conditions	• Prolonged economic stagnation in China • Weak demand in automotive market • Sluggish demand for building materials in Japan	• Continuation of selling price revisions	• Sales mix deterioration

Next is the forecast for the fiscal year ending March 31, 2025. First of all, there is no change in the full-year forecast. Net sales were JPY87 billion, operating income was JPY5.4 billion, ordinary income was JPY5.2 billion, and net income attributable to owners of the parent was JPY4.3 billion.

Although the H1 results exceeded the forecast, we have left the full-year forecast unchanged in consideration of the uncertain outlook for the business environment.

Capital Investment, Depreciation, and R&D Expenses

(Millions of yen)

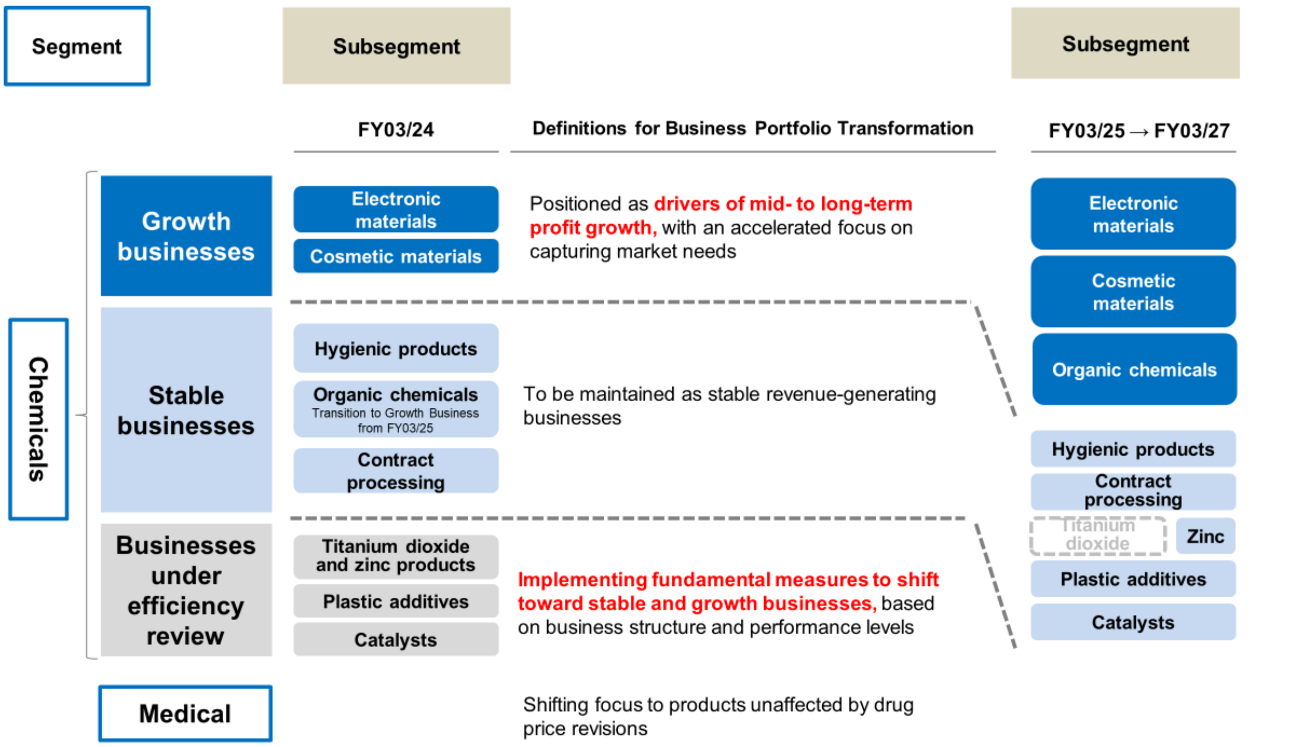
	FY03/21	FY03/22	FY03/23	FY03/24	1H FY03/25	FY03/25 Plan
CAPEX	9,567	5,967	2,658	4,024	3,693	8,500
Depreciation	4,243	4,331	4,417	4,354	1,828	4,000
R&D	2,487	2,376	2,674	2,722	1,291	3,000

Capital investment		
	Growth investment	Investment in efficiency (including maintenance and renewal costs)
1H FY03/25	Approx. 50%	Approx. 50%
Primary targets	・Organic chemicals: Aiming to enter the CDMO sector for active pharmaceutical ingredients / intermediates ・Cosmetics raw materials : Construction of a multipurpose plant for makeup materials	・Restructuring of the Sakai and Onahama Manufacturing Sites ・Measures targeting improved efficiency in the catalyst business (investment related to base consolidation)

Here are the changes in capital expenditures, depreciation, and R&D expenses. There is no change to the full year forecast from the beginning of the fiscal year.

Capital expenditures are approximately 50% for investment in growth and 50% for investment to improve efficiency. The main breakdown of our growth investment is in organic chemicals, such as CDMO intermediates for active pharmaceutical ingredients, and cosmetics materials. We are investing in the construction of a multi-plant for make-up materials, which we will explain in more detail later. Major investments to improve efficiency include the restructuring of Sakai and Onahama Works, efficiency improvement of the catalyst business, and consolidation of bases.

Segment and Sub-segment Structure



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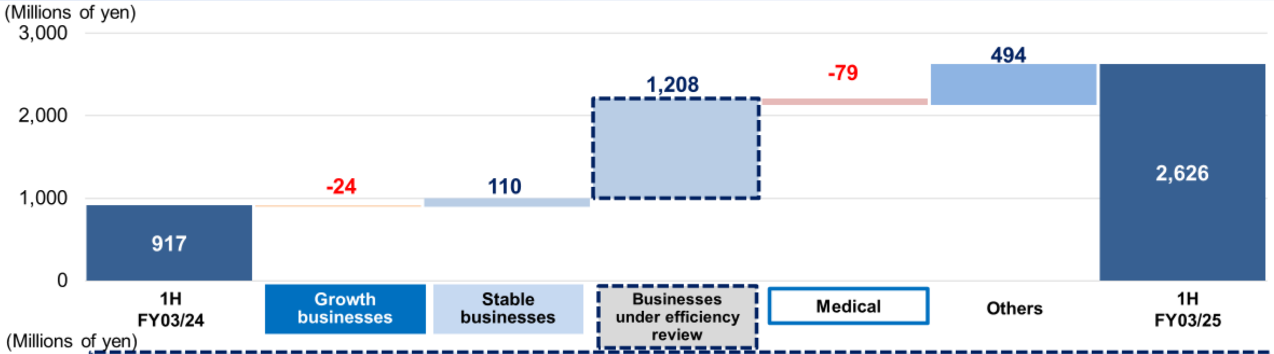
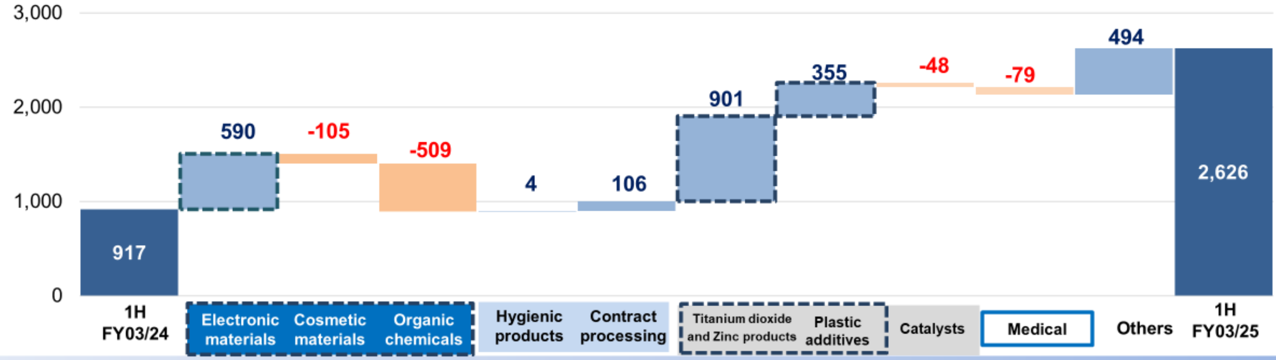
We will now explain the results by segment for H1 of the fiscal year ending March 31, 2025. The relationship between our segments and sub-segments is such that we have divided our chemical business into three segments: growth business, stable business, and efficiency improvement study business. During the period of this medium-term management plan, we will eliminate the efficiency improvement study business and consolidate it into two segments, growth business and stable business.

YoY Change in Operating Profit by Sub-segment



- Despite recovery in the performance of the electronic materials business, operating profit generated through growth businesses decreased slightly due to a temporarily decline in contribution from the organic chemicals business.
- Businesses considered for efficiency improvement (titanium dioxide and zinc business / plastic additives business) contributed significantly to profit growth.



SAKAI CHEMICAL INDUSTRY CO., LTD. 22

Changes in operating income by sub-segment are shown in comparison with the same period of the previous year. As for the growth business, here, electronic materials recovered significantly, however, the temporary decrease in profit and decrease in profit of organic chemicals resulted in a slight decrease in profit for the growth business. In addition, titanium dioxide and zinc products and plastic additives in the efficiency improvement study business contributed significantly to the increase in profit.

Electronic Materials

Growth businesses

•YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	4,097	—	5,886	—	1,789	43.7
Operating profit	24	0.6	614	10.4	590	2458.3

• YoY comparison

Net sales	**(+) Sales volume growth** Sales rose substantially thanks to sales volume recovery. This rebound was particularly pronounced in the case of dielectric materials for consumer applications, which received a performance boost from improvement in semiconductor market conditions ongoing from 2H FY03/24.
Operating profit	**(+) Sales volume recovery, improvement in operating ratio, and expansion in implementation and acceptance of selling price revisions** Operating profit grew significantly thanks to sales volume recovery (particularly for dielectric materials), improvement in operating ratio, and expansion in the implementation and acceptance of selling price revisions.

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	10,913	—	5,886	—	53.9
Operating profit	1,023	9.4	614	10.4	60.0

• Versus plan

Net sales	**(+) Increase in sales volume and expansion in implementation/acceptance of selling price revisions** Shipments were strong thanks to recovery in the semiconductor market, while selling price revisions saw wider implementation and acceptance. As a result, sales reached 54% of our full-year forecast.
Operating profit	**(+) Sales volume growth, expanding implementation/acceptance of selling price revisions, and improvement in operating ratio** We generated an improved operating ratio through strong sales, while selling price revisions also contributed positively to performance. Consequently, operating profit closed out 1H at 60% of its full-year target, and we raised our full-year projection for the electronic materials business.

SAKAI CHEMICAL INDUSTRY CO., LTD. 23

We will now look at each of the sub-segments. From now until the medical business, the upper table shows YoY changes, and the lower table shows the changes compared to the plan.

The first is electronic materials. Compared to the same period of the previous year, net sales increased significantly due to a significant recovery in sales volume in dielectric materials, mainly for consumer applications, in line with the recovery of the semiconductor market since H2 of the previous fiscal year. Operating income increased significantly due to a recovery in sales volume, mainly of dielectric materials, as well as improved capacity utilization and the penetration of price revisions.

As a percentage of the plan, net sales were 54% of the plan, thanks to strong shipments in line with the recovery of the semiconductor market and the penetration of price revisions. Operating income was 60% of the plan due to higher capacity utilization on the back of strong sales, coupled with the effect of price revisions.

The full year forecast by segment for electronic materials has been revised upward. We will explain this later.

Cosmetic Materials

Growth businesses

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	1,202	–	1,212	–	10	0.8
Operating profit	(1)	(0.1)	(106)	(8.7)	-105	–

• YoY comparison

Net sales	**(+) Expanding implementation/acceptance of selling price revisions (-) Decrease in sales volume** Sales volume decreased slightly, but sales remained roughly level YoY thanks to expansion in the implementation/acceptance of selling price revisions.
Operating profit	**(-) Deterioration in sales mix and recognition of process optimization expenses** Operating profit declined due mainly to sales mix deterioration and temporary expenses incurred in connection with efforts targeting improved productions processes.

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	3,016	–	1,212	–	40.2
Operating profit	63	2.1	(106)	–	–

• Versus plan

Net sales	**(-) Decrease in sales volume** Sales reached only 40% of our full-year forecast as sluggish demand in China led to a downturn in sales volume.
Operating profit	**(-) Sales volume decline and recognition of process optimization expenses** The cosmetics raw materials business generated an operating loss as sales volume decline prevented performance expansion and temporary costs incurred in connection with process optimization efforts further hindered results. Consequently, we have lowered our full-year projections for this business.

SAKAI CHEMICAL INDUSTRY CO., LTD. 24

Next is cosmetic materials. Compared to the same period of the previous year, net sales were on par with the previous year due to the penetration of price revisions, despite a slight decrease in sales volume. Operating income decreased due to a deteriorated sales mix and one-time costs associated with the construction of production process improvements.

As compared to the plan, sales volume declined due to sluggish demand in China, resulting in a 40% progress rate toward the plan. Operating income was in the red due to the failure to increase sales as a result of lower sales, as well as one-time expenses associated with the construction of improvements to the production process.

For these cosmetic materials, we have revised downward the full year forecast by segment. The director in charge of these cosmetics materials will explain the business environment and other details later.

Organic Chemicals

Growth businesses

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	3,727	–	3,189	–	-538	-14.4
Operating profit	806	21.6	297	9.3	-509	-63.2

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	7,377	–	3,189	–	43.2
Operating profit	1,132	15.3	297	9.3	26.2

• YoY comparison

Net sales

(-) Decrease in sales volume and deterioration in sales mix

Sales generated through additives for plastic lenses (eyeglass lens materials) declined due to a downturn in their sales volume. Meanwhile, sales secured through active pharmaceutical ingredients /intermediates declined as a lull in shipments of commercial products led to a focus on prototype shipments. Consequently, sales secured through the organic chemicals business fell overall.

Operating profit

(-) Decrease in sales volume and deterioration in sales mix

Operating profit fell due to decline in the sales volume of additives for plastic lenses and a temporary deterioration in the sales mix for active pharmaceutical ingredients / intermediates that occurred due to a focus on sales of prototypes.

• Versus plan

Net sales

(-) Decrease in sales volume

Sales only reached 43% of our full-year projection in part because we sold a lower volume of additives for plastic lenses. The shortfall also occurred in part because we expect to generate a disproportionately large share of active pharmaceutical ingredient / intermediate sales in 2H, and 1H performance was commensurately lower, as anticipated.

Operating profit

(-) Decrease in sales volume and deterioration in sales mix

The sales volume for active pharmaceutical ingredients / intermediates was commensurate with our expectations for 1H. However, we expect to generate a disproportionately large share of full-year sales for these products during 2H, and corresponding 1H performance was commensurately lower. Due to these circumstances and sales mix deterioration, operating profit secured through the organic chemicals business reached only 26% of our full-year projection. Accordingly, we have lowered our full-year operating profit forecast for this business.

SAKAI CHEMICAL INDUSTRY CO., LTD. 25

Next is organic chemicals. As for YoY sales, there was a temporary decrease in sales volume of additives for plastic lenses, which are materials for eyeglass lenses. Sales of bulk pharmaceutical intermediates decreased due to shipments of mainly prototypes. Operating income decreased due to the impact of lower sales volume in additives for plastic lenses and a temporary deterioration in the sales mix in bulk pharmaceutical intermediates, where sales were centered on prototypes.

Compared to the plan, sales of additives for plastic lenses decreased in volume, and sales of bulk pharmaceutical intermediates were 43% of the plan due to a sales plan weighted heavily toward H2. Operating income is planned to be weighted toward H2,, and although sales volume of bulk pharmaceutical intermediates was favorable, the sales mix deteriorated, resulting in a 26% progress rate toward the plan.

Organic Chemicals also revised downward its full year forecast by segment.

Hygienic Products

Stable businesses

• **YoY comparison**

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	2,763	–	2,878	–	115	4.2
Operating profit	256	9.3	260	9.0	4	1.6

• **YoY comparison**

Net sales

(+) Sales volume growth
Imported product sales have struggled due to yen depreciation, but sales secured through the hygienic products business rose regardless thanks to the strong performance we achieved through the manufacture and sale of breathable film for diapers and sanitary products.

Operating profit

(+) Stable operations and strong sales
Thanks to support from yield improvement sustained since FY03/24 and stable demand, operating profit remained roughly level YoY.

• **Versus plan**

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	5,966	–	2,878	–	48.2
Operating profit	465	7.8	260	9.0	55.9

• **Versus plan**

Net sales

(-) Decrease in sales volume
Movement of imported products slowed due to yen depreciation, and sales reached only 48% of our full-year projection.

Operating profit

(+) Stable operations
Operating profit reached 56% of our full-year forecast thanks to continuously stable operations.

SAKAI CHEMICAL INDUSTRY CO., LTD. 26

The next item is hygienic products, which is one of the stabilized businesses. Compared to the same period of the previous year, net sales increased due to strong production and sales of breathable films for diapers and sanitary products, although sales of imported commercial products struggled due to the weak yen. Operating income remained at a profit level, supported by stable demand and the contribution of yield improvement that has continued since the previous fiscal year.

Compared to the plan, sales progress was 48% due to a slowdown in cargo movement of imported merchandise caused by the weak yen. Operating income was 56% of the plan due to continued stable operations.

Contract Processing

Stable businesses

• **YoY comparison**

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	3,009	–	3,155	–	146	4.9
Operating profit	213	7.1	319	10.1	106	49.8

• **YoY comparison**

Net sales	**(+) Sales volume growth** Sales generated through the contract processing business expanded YoY thanks in part to recovery in the volume of orders from existing customers and growth in the volume of orders from new clients. Performance also benefited from a rise in the volume of processed pigment shipments, which occurred as clients built up their inventories in preparation for the year-end sales season.
Operating profit	**(+) Sales volume growth and expansion in the implementation/acceptance of selling price revisions** Operating profit rose thanks to sales volume growth and the expanded implementation/ acceptance of revised selling prices for processed pigments.

• **Versus plan**

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	6,303	–	3,155	–	50.1
Operating profit	511	8.1	319	10.1	62.4

• **Versus plan**

Net sales	**(+) Sales volume growth** Sales reached 50% of our full-year forecast thanks to strong performance in terms of shipment volumes associated with both contract processing and processed pigments.
Operating profit	**(+) Sales volume growth and expansion in implementation/acceptance of selling price revisions** Operating profit reached 62% of our full-year projection thanks to sales volume growth and expanded implementation/acceptance of revised selling prices for processed pigments. Accordingly, we have raised our full-year operating profit forecast.

This page is about contract processing. Compared to the same period of the previous year, net sales increased for contracted process services due to a recovery in the volume of contracts from existing customers and an increase in the volume of contracts due to new hires. In addition, sales of processed pigments increased due in part to an increase in shipment volume resulting from an increase in inventory in preparation for the year-end sales season. Operating income increased due to an increase in sales volume and the penetration of price revisions in processed pigments.

Compared to the plan, net sales were 50% of the plan's progress due to steady shipment volumes of both contracted process and processed pigments. Operating income was 62% of the plan due to an increase in sales volume and the penetration of price revisions in processed pigments.

As for contract processing, the full year forecast by segment has been revised upward.

Titanium Dioxide and Zinc Products (Excluding Cosmetic Materials)

Businesses under efficiency review

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	7,074	–	6,929	–	-145	-2.0
Operating profit	(527)	(7.4)	374	5.4	901	—

• YoY comparison

Net sales	**(-) Decrease in sales volume** Sales declined due in part to a downturn in our titanium dioxide sales volume that occurred as we adopted a strategy of prioritizing profitability over competing with low-priced Chinese products. Performance also suffered from sluggish sales of zinc products used for automobile tire manufacturing.
Operating profit	**(+) Selling price revisions, fixed cost reductions (impairment adjustments), and sharp growth in domestic zinc prices** Operating profit rose significantly thanks in part to selling price revisions for titanium dioxide and fixed cost curtailment achieved through impairment adjustments performed in FY03/24. Performance also benefited from growth in selling prices for zinc products, which was driven by a surge in the favorability of conditions in the Japanese zinc market.

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	13,845	–	6,929	–	50.0
Operating profit	763	5.5	374	5.4	49.0

• Versus plan

Net sales	**(+) Steady sales volume** Sales volumes for both titanium dioxide and zinc products were generally commensurate with our projections, and segment sales reached 50% of our full-year forecast.
Operating profit	**(+) Efficiency improvement measures** Efficiency improvement measures (profitability-focused sales strategy, selling price revisions, etc.) generally proceed as planned, and operating profit reached 49% of our full-year forecast.

SAKAI CHEMICAL INDUSTRY CO., LTD. 28

Next is the efficiency improvement study project. This is titanium dioxide and zinc dioxide products. Sales volume of titanium dioxide decreased from the same period of the previous year, partly due to our strategy of focusing on profitability and not chasing the low-cost offensive of Chinese products. Sales of zinc products decreased due to sluggish sales for automotive tires. Operating income increased significantly as a result of price revisions for titanium dioxide and fixed cost reductions due to impairment charges implemented in the previous fiscal year, which contributed to profit, and higher sales prices for zinc products due to soaring zinc market prices in Japan.

Compared to the plan, sales volumes of both titanium dioxide and zinc products generally progressed as planned, with a progress rate of 50%. Operating income was 49% of the plan, as sales focused on profitability and efficiency improvement measures such as price revisions generally progressed as planned.

Plastic Additives

Businesses under efficiency review

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	6,944	–	6,558	–	-385	-5.6
Operating profit	273	3.9	628	9.6	355	130.0

• YoY comparison

Net sales	**(-) Decrease in sales volume** Non-lead stabilizers generated favorable sales performance overseas, but segment sales declined regardless due in part to a downturn in domestic housing starts. Performance also incurred negative impact from our decision to cut back on shipments (and, consequently, the sales volume) of low-margin products in line with our more profitability-focused strategy.
Operating profit	**(+) Selling price revisions and sales mix improvement** Operating profit rose thanks to expanded implementation/acceptance of revised selling prices in Japan and sales mix improvement achieved through growth in overseas sales of non-lead stabilizers.

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	14,308	–	6,558	–	45.8
Operating profit	1,014	7.1	628	9.6	61.9

• Versus plan

Net sales	**(-) Decrease in sales volume** We encountered sluggish domestic demand and prolonged stagnation in the Chinese economy. Consequently, sales volumes stalled, and segment sales reached only 46% of our full-year forecast.
Operating profit	**(+) Improvement in sales mix** Operating profit reached 62% of our full-year forecast thanks to sales mix improvement achieved through cuts to our sales volumes for low-margin products and expansion in overseas sales of non-lead stabilizers.

SAKAI CHEMICAL INDUSTRY CO., LTD. 29

Next is resin additives. Sales decreased from the same period of the previous year due to a decline in the number of domestic housing starts and a decrease in the volume of low-profit products whose shipments were restrained to emphasize profitability, although overseas sales of non-lead stabilizers and other products remained strong. Operating income increased due to an improved sales mix resulting from the penetration of price revisions in Japan and expanded sales of non-lead stabilizers overseas.

Compared to the plan, sales volume did not increase due to sluggish domestic demand and the prolonged stagnation of the Chinese economy, resulting in a 46% progress rate toward the plan. Operating income was 62% of the plan due to an improved sales mix resulting from a decrease in volume of low-margin products and expanded sales of non-lead stabilizers overseas.

Catalysts

Businesses under efficiency review

• **YoY comparison** (Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	1,689	–	1,615	–	-73	-4.3
Operating profit	27	1.6	(21)	(1.3)	-48	-177.8

• **YoY comparison**

Net sales

(-) Decline in nickel market conditions
Despite growth in the sales volumes for both nickel catalysts and deNOx catalysts, segment sales fell due primarily to per-unit selling price decline caused by a slump in the nickel market.

Operating profit

(-) Slumping nickel market and temporary sales mix deterioration
Operating profit declined due to a downturn in per-unit selling prices for nickel catalysts driven by a slump in the nickel market and a temporary deterioration in the sales mix associated with deNOx catalysts.

• **Versus plan**

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	3,544	–	1,615	–	45.6%
Operating profit	(191)	(5.4)	(21)	(1.3)	–

• **Versus plan**

Net sales

(-) Slumping nickel market
Due to a slump in the nickel market, segment sales reached only 46% of our full-year forecast despite shipment volume growth.

Operating profit

(+) Shipment volume growth and selling price revisions
Segment operating loss was less extensive than anticipated thanks to shipment volume growth and expanded implementation/acceptance of revised selling prices. Accordingly, we upgraded our full-year forecast for segment operating profit/loss.

SAKAI CHEMICAL INDUSTRY CO., LTD. 30

Next, we have catalysts. Compared to the same period of the previous year, sales of both nickel catalysts and deNOx catalysts decreased due to a decline in the nickel market pushing down unit selling prices, despite an increase in sales volume. Operating income decreased for nickel catalysts due to the impact of the decline in the nickel market on unit sales prices, and for deNOx catalysts due to a temporary deterioration in the sales mix.

Although shipment volume increased compared to the plan, the impact of the decline in the nickel market resulted in a 46% progress rate toward the plan. The deficit in operating income narrowed due to higher sales volume and the penetration of price revisions.

For this catalyst, we have upwardly revised our full-year segment forecasts.

Medical

Medical

• YoY comparison (Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	4,158	–	4,264	–	106	2.6
Operating profit	144	3.5	65	1.5	-79	-54.6
Net sales (New businesses)	903	–	898	–	-5	-0.6

Note: New businesses refer to those not affected by drug price revisions.

• YoY comparison

Net sales	**(+) Revision of NHI drug prices for barium contrast media and growth in sales of medical devices** Despite a decline in our shipment volume for barium contrast media, segment sales rose thanks to growth in our sales volume for medical devices and NHI drug price hikes that boosted performance from some of our products.
Operating profit	**(-) Recording of valuation losses** Operating profit fell due to our Q1 recording of one-off valuation losses in connection with barium contrast media.

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	8,175	–	4,264	–	52.2
Operating profit	100	1.2	65	1.5	65.0
Net sales (New businesses)	1,843	–	898	–	48.7

• Versus plan

Net sales	**(-) Decrease in sales of general pharmaceuticals** We had expected to book a disproportionately high share during 1H, but segment sales ultimately reached only 52% of our full-year forecast due to a slowdown in shipments of over-the-counter drugs.
Operating profit	**(-) Recording of valuation losses** We had expected disproportionately high performance during 1H and therefore anticipated a more favorable operating profit result, but operating profit ultimately reached only 65% of our full-year forecast due in part to valuation losses recognized in connection with barium contrast media. Accordingly, we have lowered our full-year segment operating profit forecast.

SAKAI CHEMICAL INDUSTRY CO., LTD. 31

I will now continue with a description of the performance of the medical business. Sales increased from the same period of the previous year, despite a decrease in shipment volume of barium contrast media, due in part to the effect of the NHI price increase and an increase in sales volume of medical equipment. Operating income decreased due to a one-time write-down of barium contrast media in Q1.

Although sales were planned to be weighted more heavily toward H1 compared to the plan, progress toward the plan was 52% due to a slowdown in the movement of OTC drug goods. Operating income was planned to be weighted toward H1, but due in part to the write-down of barium contrast media, progress toward the plan was 65%.

Taking this into account, we have revised downward our full year forecast for the medical business.

Business Environment Overview

	Sub-segment	Assumptions underlying FY03/25 projections (as of May 2024)	Assumptions underlying FY03/25 projections (as of November 2024)
Growth businesses	Electronic materials	The semiconductor market has been recovering since 2H FY03/24, a trend anticipated to continue into this fiscal period.	At a minimum, the automotive sector of the semiconductor market will continue to stagnate.
	Cosmetic materials	Domestic demand: Expected to maintain a steady recovery Overseas demand: Anticipated to gradually turn toward recovery	We anticipate strong demand recovery both in Japan and overseas, but the outlook for demand from China remains unfavorable.
	Organic chemicals	The eyeglass lens market is projected to hold steady.	No change
Businesses under efficiency review	Titanium dioxide /Zinc products	For titanium dioxide, oversupply conditions are expected to persist, with continued inflows of low-cost imports putting pressure on domestic sales.	No change
	Plastic additives	Domestic demand: PVC market conditions are trending downward, making it challenging to increase sales. Overseas demand: As the PVC market expands, the shift from lead-based to lead-free stabilizers is expected to progress.	Domestic demand: No change Overseas demand: Our medium-term outlook for expansion in the PVC market remains unchanged, but signs indicate some slight short-term slowdown could occur due to flooding in Thailand and conditions in the Chinese economy.

PVC: polyvinyl chloride

We will continue with a description of our perception of the business environment. The changes from the initial forecast are in electronic materials, cosmetic materials, and plastic additives.

As for electronic materials, we expect the semiconductor market to remain sluggish, at least for automotive applications. As for cosmetics materials, we expect a steady recovery both in Japan and overseas, but the outlook for China remains challenging. As for plastic additives, overseas demand for PVC (polyvinyl chloride) in the medium term, although the polyvinyl chloride market continues to expand, in the short term there are signs of a slight slowdown due to the flooding in Thailand and the economic impact in China.

Sub-segment Forecast

In response to changes in our business environment and 1H performance, we have revised our full-year forecasts for all segments.
Note: Our consolidated earnings forecast remains unchanged.

(Millions of yen)

	FY03/24 Actual			Revised full-year FY03/25 forecast			Difference			
	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM	Net sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	8,978	280	3.1	11,313	1,223	10.8	2,335	26.0	943	336.8
Cosmetic materials	2,498	(93)	(3.7)	2,716	0	0.0	218	8.7	93	-100.0
Organic chemicals	7,813	1,395	17.9	7,000	900	12.9	-813	-10.4	-495	-35.5
Hygienic products	5,455	404	7.4	5,966	465	7.8	511	9.4	61	15.1
Contract processing	6,177	546	8.8	7,103	571	8.0	926	15.0	25	4.6
Titanium dioxide Zinc products	14,269	(423)	(3.0)	13,845	763	5.5	-424	-3.0	1,186	-280.4
Plastic additives	13,418	636	4.7	13,558	1,014	7.5	140	1.0	378	59.4
Catalysts	3,527	73	2.1	3,544	(36)	(1.0)	17	0.5	-109	-149.3
Medical	7,995	86	1.1	8,375	5	0.1	380	4.8	-81	-94.2
Others	11,975	38	0.3	13,580	494	3.6	1,605	13.4	456	1200.0
Consolidated	**82,105**	**2,942**	**3.6**	**87,000**	**5,400**	**6.2**	**4,895**	**6.0**	**2,458**	**83.5**

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Now, based on that, here is the forecast for the full year by sub-segment. We have revised the full-year plan by segment in light of changes in the business environment and progress made in H1. However, as I mentioned earlier, there is no revision to consolidated operating income.

Looking at the revised plan for the full year, we expect a large YoY increase in electronic materials, titanium dioxide and zinc products, and plastic additives. On the other hand, the forecast for organic chemicals and catalysts is for relatively large YoY declines. However, I would like to reiterate that there is no revision to the final total operating income of JPY5.4 billion on a consolidated basis.

Forecast by Sub-Segment (vs. Initial Plan)

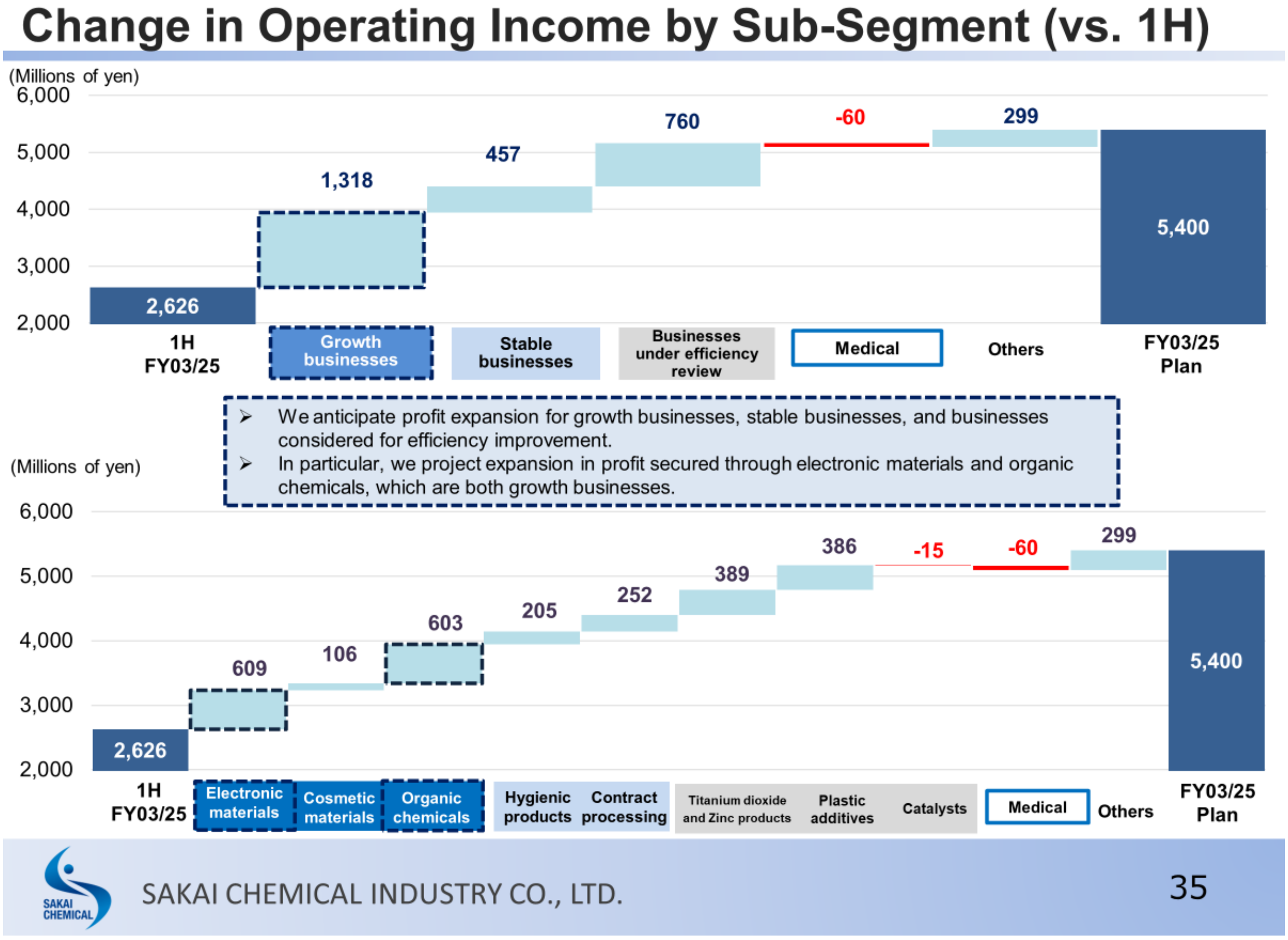
(Millions of yen)

	Initial full-year FY03/25 forecast			Revised full-year FY03/25 forecast		
	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM
	Amount	Amount	%	Amount	Amount	%
Electronic materials	10,913	1,023	9.4	11,313	1,223	10.8
Cosmetic materials	3,016	63	2.1	2,716	0	0.0
Organic chemicals	7,377	1,132	15.3	7,000	900	12.9
Hygienic products	5,966	465	7.8	5,966	465	7.8
Contract processing	6,303	511	8.1	7,103	571	8.0
Titanium dioxide Zinc products	13,845	763	5.5	13,845	763	5.5
Plastic additives	14,308	1,014	7.1	13,558	1,014	7.5
Catalysts	3,544	(191)	(5.4)	3,544	(36)	(1.0)
Medical	8,175	100	1.2	8,375	5	0.1
Others	13,553	520	3.8	13,580	494	3.6
Consolidated	**87,000**	**5,400**	**6.2**	**87,000**	**5,400**	**6.2**

Operating profit

- We have raised our sales projections for electronic materials and catalysts due in part to the spreading impact of price corrections within the market.
- According to our projections, performance from organic chemicals will improve in 2H, but we have still lowered our full-year forecast due to underwhelming 1H results.
- We lowered our forecast for the medical business in response to one-off valuation losses booked for Q1.

As for the plan from the beginning of the fiscal year, the forecast for electronic materials, contract processing, and catalysts has been revised upward from the beginning of the fiscal year, while the operating income forecast for cosmetic materials, organic chemicals, and medical business has been revised downward.



Lastly, this page shows the increase/decrease in operating income by sub-segment for H2 compared to H1.

We expect to accumulate profits in each of the growth, stable, and efficiency-enhancing businesses. In particular, we expect a large increase in profits from electronic materials and organic chemicals.

That is all the explanation from me. Thank you very much for your attention.

Question & Answer

Moderator [M]: We would now like to accept questions regarding the presentation of the financial statements. We would like to take questions first from those of you who are in the audience, and then ask those of you who are participating via the web, in that order. We would appreciate it if you could provide us with your company name and your name when you ask your question.

This briefing will be transcribed and recorded and is posted on our website. We will of course withhold the name of the company, your name, etc., but we would appreciate your understanding that your question will be written and recorded.

Now I would like to accept questions from the audience. Any? Any questions from the audience? Now I would like to ask once more to those of you who are participating on the web.

Moderator [M]: We will unmute your microphone. Please ask your question.

Participant [Q]:

First of all, in the area of electronic materials, I think there has been a large increase compared to the previous year, but if we look at it quarter by quarter, sales in Q2 have probably decreased by some percentage compared to Q1. I would like to know the reason behind this.

Also, since sales are expected to be about roughly as in Q2 in H2 will this area not be so strong? I kind of understand that cars are not doing well right now, but I think there are some areas where demand is booming, such as for telecommunications and for smartphones and data centers that use generated AI. Please tell us about this area.

Ogama [A]: Ogama would like to answer your question. As you are aware, sales in Q2 were roughly 10% lower than in Q1, as we have announced. The volume base is about the same, especially for dielectric materials, and since Q1 was originally quite strong, I think it would be more correct to say that things have calmed down a bit.

In H2, we expect that demand for automobiles will not grow much, but demand itself, mainly for consumer applications, will not decline so much that we expect sales to be roughly between the level of Q1 and Q2, or about Q2.

As for capacitors, the disclosed data of capacitor manufacturers show that the BB ratio, or in other words, the ratio of orders to sales, is slightly inverted, or in other words, orders are slightly decreasing. This is a matter of concern for us. Although there is a sense of uncertainty toward H2 as I mentioned earlier, orders have not fallen that significantly in the current period, so I think that the trend will be roughly the same as in Q2.

Participant [Q]: Conversely, I don't feel that there is a decline, but I don't think there is a big increase either. I would like to confirm this, and I think there are quite a few overseas MLCC manufacturers that are expanding for this application, although it may be for overseas manufacturers, such as plug-in hybrids in China. Is your company not involved in those areas?

Ogama [A]: Ogama would like to answer this question as well. As for growth, we do not expect to see the same growth in Q1 that we saw in the previous year. We expect it to be roughly the same level as Q2.

Overseas, I can't give you specifics, but we have not fully grasped the supply chain for EVs in China. Our understanding is that our electronic materials are not so much used in Chinese EVs.

There are quite a few capacitor manufacturers emerging in China, so we are researching, or rather grasping, such supply chains, but I hope you understand that our materials are not used for many of them.

Participant [Q]: I understand. Second question. I heard your explanation of the CCC, and you set a target of 180 days, but what is the level of this target? I think the inventory has probably increased in the past, so I think the reduction has been effective in that sense, but compared to, say, five years ago, the 180 days target seems to have increased from the past. I would like to ask about this area as well.

Also, the pace of improvement is not so bad, so I think there is a possibility that we can aim for 180 days or less during the mid-term plan period. Please tell us if you are actually aiming for this.

Ogama [A]: We set this target at 180 days or less partly because our CCC days were originally quite large. The target is to reduce the number of days by one month or more, and we are aiming to achieve the same level as other companies in our industry.

Therefore, we are not sure if this is really optimal, but we are still looking a little further ahead, and if we can reduce it, we would like to bring it below the 180-days level.

As you have pointed out, the biggest factor in the current situation is inevitably the rise in raw fuel prices, which we recognize has risen considerably in monetary terms, and we are aware that the number of CCC days has been extended from that. Therefore, we will consider what will happen after the 180-day goal is achieved, and we will also consider the possibility of setting the goal at a higher level.

Participant [M]: I feel that if we aim for the same standards as our peers, it may be a little too low as a goal. For that reason, I think we feel that perhaps this is not the place to look. That is all from me. Thank you very much.

Ogama [M]: Thank you very much.

Moderator [M]: Thank you very much, Mr. Ishibashi. Any more questions? No hands were raised from the web. We will return the mic to the venue.

Moderator [M]: Thank you very much. We will have time for questions after the business strategy briefing on cosmetic materials, so if you have any questions at that time, I would like to ask them again.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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